



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
CLAY COUNTY  
SHERIFF'S SETTLEMENT - 2000 TAXES AND  
SHERIFF'S SETTLEMENT - 2000 UNMINED COAL TAXES**

**September 13, 2001**

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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable James Garrison, Clay County Judge/Executive  
Honorable Edward Jordan, Clay County Sheriff  
Members of the Clay County Fiscal Court

The enclosed report prepared by Berger & Ross, PLLC, Certified Public Accountants, presents the Clay County Sheriff's Settlement - 2000 Taxes and 2000 Unmined Coal Taxes.

We engaged Berger & Ross, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Berger & Ross, PLLC, evaluated the Clay County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett".

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Enclosure



**AUDIT EXAMINATION OF THE  
CLAY COUNTY  
SHERIFF'S SETTLEMENT - 2000 TAXES AND  
SHERIFF'S SETTLEMENT—2000 UNMINED COAL TAXES**

**September 13, 2001**

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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE CLAY COUNTY**

#### **SHERIFF'S SETTLEMENT - 2000 TAXES AND 2000 UNMINED COAL TAXES**

**September 13, 2001**

Berger & Ross, PLLC has completed the audit of the Sheriff's Settlement - 2000 Taxes and the Sheriff's Settlement 2000 Unmined Coal Taxes for Clay County Sheriff as of September 13, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Sheriff collected net taxes of \$2,427,343 for the districts for 2000 taxes. Sheriff distributed taxes of \$2,427,106 to the districts for 2000 Taxes. Refunds of \$991 are due to the Sheriff from the taxing districts and \$81 due taxing districts from the Sheriff.

#### **Debt Obligations:**

None.

#### **Report Comments:**

None.

#### **Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

#### **Subsequent Event:**

None.





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To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable James Garrison, Clay County Judge/Executive  
Honorable Edward Jordan, Clay County Sheriff  
Members of the Clay County Fiscal Court

#### Independent Auditor's Report

We have audited the Clay County Sheriff's Settlement - 2000 Taxes and the Sheriff's Settlement - 2000 Unmined Coal Taxes as of September 13, 2001. These tax settlements are the responsibility of the Clay County Sheriff. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the Clay County Sheriff's taxes charged, credited, and paid as of September 13, 2001, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
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Honorable Edward Jordan, Clay County Sheriff  
Members of the Clay County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated July 3, 2002, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed -  
July 3, 2002

CLAY COUNTY  
EDWARD JORDAN, SHERIFF  
SHERIFF'S SETTLEMENT – 2000 TAXES

September 13, 2001

<u>Charges</u>	<u>County Taxes</u>	<u>Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 199,506	\$ 259,115	\$ 1,196,978	\$ 365,323
Tangible	18,219	24,742	109,315	74,385
Intangible	-	-	-	36,777
Aircraft	153	-	917	30
Fire Acreage	3,641	-	-	-
Undeveloped Oil and Gas Property	101	132	609	186
Oil Property	157	204	941	287
Gas Property	7,006	9,098	42,034	12,828
Total Per Sheriff's Official Receipt	\$ 228,783	\$ 293,291	\$ 1,350,794	\$ 489,816
<u>Other Taxes and Charges</u>				
Correcting Erroneous Assessments	-	-	-	-
Penalties & Interest	3,332	4,282	19,748	6,550
Franchise Corporation	39,499	52,878	237,037	-
Franchise Corporation	87	111	517	158
Gross Chargeable to Sheriff	\$ 271,701	\$ 350,562	\$ 1,608,096	\$ 496,524
<u>Credits</u>				
Exonerations	\$ 1,938	\$ 2,501	\$ 11,555	\$ 3,423
Delinquents	15,296	19,669	90,782	29,343
Discounts	2,573	3,292	15,153	5,820
Total Credits	\$ 19,807	\$ 25,462	\$ 117,490	\$ 38,586
Net Tax Yield	\$ 251,894	\$ 325,100	\$ 1,490,606	\$ 457,938
Less: Commissions*	10,993	13,817	59,624	19,750
Taxes Due Districts	\$ 240,901	\$ 311,283	\$ 1,430,982	\$ 438,188
Taxes Paid	240,902	311,284	1,490,656	437,916
Less: Refunds (Current & Prior Year)	113	147	679	208
Less: Commission Refunds From School	-	-	(59,624)	-
Refund Due Sheriff		**		
as of Completion of Fieldwork	\$ (114)	\$ (148)	\$ (729)	\$ 64

\* and \*\* See Page 4

The accompanying notes are an integral part of the financial statement.

CLAY COUNTY  
EDWARD JORDAN, SHERIFF  
SHERIFF'S SETTLEMENT – 2000 TAXES  
September 13, 2001  
(Continued)

*Commissions:	10% on	\$	10,000
	4.25% on	\$	1,024,932
	4% on	\$	1,490,606

\*\*Special Taxing Districts:

Library District	\$	(45)
Health District		(50)
Soil Conservation District		(13)
Extension District		(40)
Refunds Due Sheriff	\$	<u>(148)</u>

The accompanying notes are an integral part of the financial statement.

CLAY COUNTY  
EDWARD JORDAN, SHERIFF  
SHERIFF'S SETTLEMENT – 2000 UNMINED COAL TAXES

September 13, 2001

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Sheriff's Official Receipt for				
Unmined Coal	\$ 622	\$ 807	\$ 3,729	\$ 1,138
Penalties	0	1	2	1
Additional and/or Supplemental	18	-	-	-
Gross Chargeable to Sheriff	<u>\$ 640</u>	<u>\$ 808</u>	<u>\$ 3,731</u>	<u>\$ 1,139</u>
<u>Credits</u>				
Delinquents	\$ 1	\$ 3	\$ 7	\$ 2
Discounts	6	8	35	12
Total Credits	<u>\$ 7</u>	<u>\$ 11</u>	<u>\$ 42</u>	<u>\$ 14</u>
Net Tax Yield	\$ 633	\$ 797	\$ 3,689	\$ 1,125
Less: Commissions*	27	33	148	47
Taxes Due Districts	\$ 606	\$ 764	\$ 3,541	\$ 1,078
Taxes Paid	589	764	3,689	1,078
Less: Commission Refunds From School			(148)	
Taxes Due Districts(Refund Due Sheriff)	<u>\$ 17</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
*Commissions:	4.25% on	\$ 2,555		
	4% on	\$ 3,689		

The accompanying notes are an integral part of the financial statement.

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS

September 13, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statements have been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue, which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue, which are recognized when there is proper authorization. Taxes paid are uses of revenue, which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of September 13, 2001, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.



CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
September 13, 2001  
(Continued)

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2000. Property taxes were billed to finance governmental services for the year ended June 30, 2001. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 25, 2000 through July 31, 2001.

B. Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 2000. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 23, 2000 through July 31, 2001.

Note 4. Interest Income

The Clay County Sheriff earned \$4,078 as interest income on 2000 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Clay County Sheriff collected \$28,532 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Clay County Sheriff collected \$2,112 of advertising costs allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office.

Note 7. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed

The County Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the County Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After seven years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. For the 2000 taxes, the County Sheriff had \$2,197 in unrefundable duplicate payments and unexplained receipts. In addition, the County Sheriff had unrefundable duplicate payments and unexplained receipts for 1996 taxes, 1997 taxes, 1998 taxes, and 1999 taxes.

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
September 13, 2001  
(Continued)

Note 7. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed  
(Continued)

The following is a cumulative schedule of unrefundable duplicate payments and unexplained receipts which should be deposited into an escrow account:

<u>Tax Year Amount</u>	<u>Amount</u>
1996	\$ 550
1997	746
1998	1,108
1999	2,368
2000	<u>2,197</u>
Totals	<u>\$5,969</u>

As of the end of fieldwork, the County Sheriff has deposited \$4,381 of the \$5,969 unrefundable duplicate payments and unexplained receipts into an escrow account. Therefore, the Sheriff should send a written report to the Treasury Department and deposit the remaining surplus balance into an escrow account.

REPORT ON COMPLIANCE  
AND INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





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To the People of Kentucky  
 Honorable Paul E. Patton, Governor  
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 Honorable James Garrison, Clay County Judge/Executive  
 Honorable Edward Jordan, Clay County Sheriff  
 Members of the Clay County Fiscal Court

Report On Compliance And On Internal Control  
 Over Financial Reporting Based On An Audit Of The Financial  
 Statements Performed In Accordance With Government Auditing Standards

We have audited the Clay County Sheriff's Settlement - 2000 Taxes and the Sheriff's Settlement - 2000 Unmined Coal Taxes as of September 13, 2001, and have issued our report thereon dated July 3, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Clay County Sheriff's Settlement - 2000 Taxes and the Sheriff's Settlement - 2000 Unmined Coal Taxes as of September 13, 2001 are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clay County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed -  
July 3, 2002

